

DIRECT TESTIMONY

OF

DENNIS L. ANDERSON

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY COMPANY

DOCKET NO. 02-0724

AUGUST 26, 2003

1 Q. Please state your name and business address.

2 A. My name is Dennis L. Anderson, and my business address is 527 East  
3 Capitol Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission as a Senior Energy  
6 Engineer in the Gas Section of the Engineering Department of the Energy  
7 Division.

8 Q. Please state your educational background and work experience.

9 A. I received a Bachelor of Science degree in Civil Engineering from Iowa  
10 State University in 1967. In 1979 I received a Master of Business  
11 Administration degree from Illinois State University. I am a registered  
12 Professional Engineer in the State of Illinois.

13 After receiving my engineering degree, I was employed by Illinois Power  
14 Company in 1967. I worked for Illinois Power Company a total of 33 years  
15 in various engineering, operating, supervisory, and managerial capacities,  
16 primarily related to the design, construction, and operation of natural gas  
17 distribution, transmission, underground storage, and peak shaving plants.  
18 I retired from Illinois Power Company in April of 2000, and joined the  
19 Illinois Commerce Commission in July of 2000.

20 Q. What are your primary responsibilities and duties as a Senior Energy  
21 Engineer in the Gas Section of the Energy Division's Engineering  
22 Department?

23 A. My primary responsibilities and duties are in the performance of studies  
24 and analyses dealing with day-to-day, and long-term, operations and  
25 planning of the gas utilities serving Illinois. For example, I review  
26 purchased gas adjustment clause reconciliations, rate base additions,  
27 levels of natural gas used for working capital, and utility applications for  
28 Certificates of Public Convenience and Necessity. I also perform gas  
29 meter audits.

30 Q. What is the purpose of this proceeding?

31 A. On November 7, 2002, the Commission initiated its annual reconciliation  
32 of the Purchase Gas Adjustment ("PGA") for fiscal year 2002, as filed by  
33 Mt. Carmel Public Utility Company ("Mt. Carmel" or "Company"), pursuant  
34 to Section 9-220 of the Illinois Public Utilities Act. This investigation was  
35 initiated to determine whether Mt. Carmel's PGA clause reflects actual  
36 costs of gas and gas transportation for the twelve-month period from  
37 January 1, 2002 through December 31, 2002, and whether those  
38 purchases were prudent.

39 Q. What is your assignment within this proceeding?

- 40 A. My assignment is to determine if Mt. Carmel's natural gas purchasing  
41 decisions made during the reconciliation period were prudent.
- 42 Q. Have you made a determination as to whether Mt. Carmel's natural  
43 gas purchasing decisions were prudent?
- 44 A. Yes. Utilizing the Commission's criteria for prudence I have determined  
45 Mt. Carmel's natural gas purchasing decisions were prudent.
- 46 Q. What criteria does the Commission use to determine prudence?
- 47 A. The Commission has defined prudence as:
- 48 **[...] that standard of care which a reasonable person**  
49 **would be expected to exercise under the circumstances**  
50 **encountered by utility management at the time**  
51 **decisions had to be made. In determining whether or**  
52 **not a judgement was prudently made, only those facts**  
53 **available at the time the judgement was exercised can**  
54 **be considered. Hindsight review is impermissible.**
- 55 **Imprudence cannot be sustained by substituting one's**  
56 **judgment for that of another. The prudence standard**  
57 **recognizes that reasonable persons can have honest**  
58 **differences of opinion without one or the other**  
59 **necessarily being 'imprudent'. (Docket No. 84-0395,**  
60 **p17).**
- 61 Q. What material did you review to determine the prudence of Mt. Carmel's  
62 natural gas purchasing decisions during the reconciliation period?
- 63 A. I reviewed the direct testimony of Mt. Carmel witness Philip Barnhard IV. I  
64 also reviewed Company responses to numerous Staff data requests that

65 directly addressed issues related to the prudence of Mt. Carmel's natural  
66 gas purchasing.

67 Q. Does this conclude your direct testimony?

68 A. Yes.

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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<b>MT. CARMEL PUBLIC UTILITY COMPANY</b>	:	
	:	<b>02-0724</b>
<b>Reconciliation of revenues collected under gas</b>	:	
<b>Adjustment charges with actual costs prudently</b>	:	
<b>incurred.</b>	:	

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**NOTICE OF FILING**

**TO ATTACHED SERVICE LIST:**

**YOU ARE HEREBY NOTIFIED** that we have, on this 26<sup>th</sup> Day of August 2003 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Dennis L. Anderson of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

\_\_\_\_\_  
Steven R. Knepler  
Supervisor  
Accounting Department  
527 East Capitol Avenue  
Springfield, IL 62701

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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY THAT** copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 26<sup>th</sup> day of August 2003.

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Steven R. Knepler  
Supervisor  
Accounting Department

**MT. CARMEL PUBLIC UTILITY COMPANY**  
**Docket No. 02-0724**  
**Service List**

Eric Bramlet  
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PO Box 278  
Mt. Carmel, IL 62863

**ILLINOIS COMMERCE COMMISSION**

John D. Albers, Administrative Law Judge  
Bryan Sant, Case Manager, Accounting Department  
Steven Knepler, Accounting Department  
Donald McGuire, Accounting Department  
Dennis Anderson, Engineering Department